



ARIZONA DEPARTMENT OF TRANSPORTATION

INTERMODAL TRANSPORTATION DIVISION
ENGINEERING CONSULTANTS SECTION
205 South 17th Avenue - Room 293E, Mail Drop 616E
Phoenix, Arizona 85007



FIFE SYMINGTON
Governor

LARRY S. BONINE
Director

March 5, 1997

THOMAS G. SCHMITT
State Engineer

Engineering Consultants Section

INFORMATION BULLETIN 97-02

TO: Consultants

FROM: Engineering Consultants Section *Tom*

SUBJECT: Subconsultant(s) Cost Negotiation Guidelines

In order to expedite cost negotiations, the following subconsultant guidelines are provided for preparing your cost proposal:

The combined total dollar value of all subconsultant contracts must be less than 50% of the total dollar value of the contract.

Project Principal participation by the subconsultant is not allowed unless justified.

Subconsultants are to follow the same guidelines as the prime with regards to Direct Labor, Overhead, Direct Expenses and Fixed Fee.

The Department will perform a prenegotiation review on subconsultants per the following:

- Subconsultants proposing more than \$100,000 in costs must submit Section 3, Parts 1, 2, & 3 of the three-part audit questionnaire and comply with the Contract Cost Allowability Guidelines & Policies (CCAGP) and Advance Agreement Check List (AACL).
- For Subconsultants proposing less than \$100,000 in costs must submit in accordance with the contract Cost Allowability Guidelines & Policies (CCAGP) and Advance Agreement Check List (AACL), two (2) fiscal years of Financial Statements and overhead schedule(s) prepared in accordance with GAAP (General Accepted Accounting Principles). Schedules must be modified in accordance with the CCAGP and be reconciled to the financial statements.

In instances where expertise is needed from an individual, the prime will submit and justify an hourly rate that is determined to be fair and reasonable.

Firms that provide Costs per Unit of Work (Subconsultants billing rates) , such as aerial mapping, drilling, traffic counts, will not require a prenegotiation review. However, the prime will submit and justify a rate that is determined to be fair and reasonable.

Once negotiated, subconsultants costs that are less than \$50,000 may be designated as lump sum.

The Prime is responsible for securing the subconsultants support documentation.

Subconsultants overhead rates should be firm, or negotiated for the term of the contract and not adjustable or flexible rates. However, pending interpretation of the 1995 National Highway System Act, Section 307, Quality Through Competition, an overhead adjustment may be allowed. A final audit may be performed on subconsultants as well.